

cial paper, and one-third by securities. The government borrowed from the bank 14,000,000 drachmas in gold and required it to hold notes subject to its orders to the amount of 70,000,000 drachmas. The bank was given in return for these advances the right to circulate 60,000,000 drachmas on its own account in inconvertible paper. The Ionian Bank was authorized to maintain a circulation of 7,000,000 drachmas, of which 2,000,000 should be on account of the government, and the Epiro-Thessalian Bank was given a maximum circulation of 5,000,000 drachms, of which 800,000 should be on government account. The National Bank was also authorized to circulate 7,000,000 drachmas in small notes, and each of the other banks was authorized to issue 3,500,000 drachmas in such notes. The metallic reserve of the National Bank has been reduced below 2,000,000 drachmas (\$400,000) and while gold sometimes reaches the country after the sale of the crops it quickly flies abroad again or disappears into private hoards. The price of gold in paper was 122 in 1889 and 1890, 140 in 1892, 180 in 1893, and 200 in 1894.<sup>1</sup>

The population of Greece is about 2,300,000, and the annual budget for carrying on the government averages about 100,000,000 drachmas (\$20,000,000), of which 35,000,000 drachmas is on account of interest on the debt. This interest has not been paid for several years in gold, as required by the contract, but desultory efforts have been made to persuade the holders of the securities to accept new securities in payment of interest or to permit a complete readjustment of Greek finances. The British holders of Greek securities persuaded the London Foreign Office in 1892 to send Major Law to Athens to study the actual condition of affairs and to determine whether the government would be able to meet its obligations. Major Law made a report to the British minister at Athens under date of March 10, 1893, recommending various reforms in the financial system. He showed that the aggregate public debt on January 1, 1893, was about 750,-

<sup>1</sup> Raffalovich, *Le Marché Financier en 1893-4*,